SISTER Will You Have a Dime?

(Women & Pensions)

Sister, Will You Have A Dime?

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The Pension Commission of Manitoba
Department of Labour & Employment Services

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MESSAGE FROM THE MINISTER

The first thing that comes to mind when most people think about retirement is an image of a couple in their "golden years" puttering about in their garden, perhaps babysitting grandchildren, or finally taking that trip they had been thinking about for years.

Unfortunately, many people have not prepared the financial base for these later years, and the money is not there for necessities, let alone anything else. This lack of adequate income affects women in particular for a number of reasons.

One common situation occurs when the husband, who has provided the basic income during the marriage has died, or the marriage itself may have dissolved, leaving the woman with virtually no income at all.

This booklet was designed to pose various questions facing women at sometime during their lives. For example, should a married woman in the paid labour force participate in a pension plan when her husband is already in one? Is there any pension available for those women who choose to, or must remain at home? What is a women's responsibility as the owner of a business? What happens to pension plan monies in a divorce situation?

I urge you to take the time to read through this booklet and hope that it will prompt you to enquire about your own financial status at retirement. Remember, retirement is going to be what you make of it.

Honourable Mary Beth Dolin,
Minister of Labour and Employment Services.

INTRODUCTION

"A time to sow, a time to reap...
A time to laugh, a time to weep."

The above quotation can certainly relate to your retirement years. The financial planning you do now for your retirement is the seed you are planting for your future. Too many women, and men for that matter, have made no financial preparation for retirement. To many of us, retirement seems such a long way away. Unfortunately, time has the habit of moving quickly and suddenly we are approaching the end of our working life. It is never too early to lay out a financial plan for your retirement.

How often have you heard the phrase "the Government will take care of you!" Many women assume that they will receive an adequate income from the government; but will they? If a women has not contributed to the Canada Pension Plan, she will not receive a pension from such plan. She will of course receive Old Age Security and possibly the Guaranteed Income Supplement.

The belief that the government will provide is not a very realistic one. Such a belief also negates the idea of any self-reliance and independence.

There is no one in a better position to plan and provide for your retirement than you. Retirement does not have to be, and should not be, a time of fear. It does not have to be a time to weep. Unfortunately, for too many women it is. Through careful planning, you can assure that your retirement will be provided for.

FOREWORD

This booklet has been designed to try to make you more aware of your need to be adequately financially prepared for retirement. We hope to show you what type of questions you should be asking yourself.

To help you, we have created five characters. We feel that you will have much in common with at least one of these women, perhaps more than one. While the specific situation of each woman may not apply to you, the generalities can be adapted to your own present situation.

As you will see, Cathy, a married working woman, is like so many women today. After much thought, she has decided to return to work to supplement the family income. In recent years, this has become a necessity for many of us.

Janet, a married woman who has chosen to remain at home, could be yourself or she could be your next door neighbor. She is middle-aged and she is comfortably taken care of by her husband.

Ruth is a divorcee whose only income is her alimony payments. She has been actively involved in volunteer work for years but now she faces the prospect of having to enter the workforce.

Maybe you're Vicki. Vicki is a single career woman. She has been very successful and for now she has it made. However, she has no idea what her financial situation will be when she retires.

Then there's Sharon, an owner of a small business. She could be your hairdresser or the owner of any little shop you may frequent.

Choose the woman or women you feel apply to your situation and answer the questions asked concerning these women. Retirement can be "the golden years" so often referred to, or it can be a time of poverty. The choice is yours.

Case 1 — Married Working Woman

Cathy

Cathy got out of the car in front of her office building, leaned down to the car window and reminded her husband John to pick up the kids from the babysitter's and drop them off at their grandmother's house where they would stay for the night. "It's terrific of your mother to take the kids for the night so we could have a nice quiet evening at home!" John exclaimed. "Yes it is," Cathy said, "but I hope they're not too much for her." John gave her an exasperated look and said, "She'll be fine and they'll be fine, so don't worry about it, OK?" "I guess you're right," said Cathy as she waved goodbye.

She ran quickly up the steps of the building, not wanting to be late for work. Cathy is 28 years old and has been at her job now for three months; and, although she misses the kids, finds that she feels terrific about her new job and herself. With Laura, six, and Barbara five, Cathy decided to return to work and try to add to the income that John now makes running his own small construction firm. As she settled down at her desk with her cup of coffee, she found an envelope addressed "PERSONAL — Mrs. Cathy Stephens." The short note inside indicated that she was to go to the Personnel Office that morning and see Mr. Ellis, the personnel manager.

Rather shakily she sat down in Mr. Ellis' office, wondering what this could be about. "Cathy," Mr. Ellis said, "I've called you in this morning to discuss the company pension plan with you." Cathy breathed a sigh of relief, thinking to herself, "Is that all?" Mr. Ellis went on to explain that each company employee was eligible to participate in the company pension plan after they had completed three months of employment. "Our company pension plan," Mr. Ellis explained, "requires that each employee contribute an amount equal to 5% of their salary to provide the employee with a pension, when he or she retires, comprised of the employee's contributions and the employer's contributions. Please understand Cathy," he continued, "that our company pension plan is a voluntary plan and in order to join, you must complete this application card."

Cathy thought for a moment about the cost of a babysitter for the kids, their monthly mortgage payments and the latest grocery bill and how difficult it was to keep ahead of the bills even now that she was working and said to Mr. Ellis, "The way prices keep going up now Mr. Ellis, I don't know if I can afford to have 5% of my salary each payday going into something that I won't see for such a long time." Mr. Ellis nodded his head in acknowledgement of Cathy's statement and let her continue. Cathy said, "Right now my husband has a small construction firm, but he plans to expand in the next few years and we're hoping that it could turn out to be a very successful business. It's been kind of difficult lately making ends meet and that's why I decided to go back to work — to try and help out in the meantime."

"I understand how you feel, Cathy," Mr. Ellis said, "however, because your husband is self-employed, the only source of income at retirement he will have is The Canada Pension and the Old Age Security Pension, unless of course, he has a Registered Retirement Savings Plan." As Cathy did not make any comment

on this statement, Mr. Ellis gathered the information booklets on the pension plan from his desk and handed them to her. "Why don't you take these booklets home tonight and discuss this with your husband?" he asked. "Let me know tomorrow what your decision is, OK?"

When Cathy got home that night, she was surprised to see that wine was cooling in the fridge and John was outside cooking steaks on the barbeque. "Hi dear," she called out. "What are you doing home so early?" "Well honey," John said, "one of the contracts we had fell through." As he noticed her worried expression, he said, "But don't worry, hon, I'll get another one soon. We're doing fine, aren't we?" "Well," thought Cathy, "this certainly isn't the time to talk about a reduction in my pay. That pension plan Mr. Ellis was talking about is just going to have to wait."

Comments

Most women in Cathy's situation do not realize the long term benefits they themselves can provide for financial security at retirement. While the immediate problem of adding to the family income through Cathy's employment is basically resolved, what about the long-term implications?

1. She has assumed that John's business will succeed.

This may be a valid assumption, but in today's economically troubled time, no business is guaranteed success. She could continue working indefinitely. In the meantime, she will be losing pension benefits that could have been accumulated.

2. Cathy also assumes that the money she would contribute to the pension plan would be a hardship in terms of keeping up with household and her husband's business expenses.

What does a 5% contribution amount to? If Cathy's salary is $8,000 annually, this would mean a yearly total amount contributed of $400 or about $33 per month — Just a little over $16 per pay day. It is important to note as well that all pension contributions are income tax deductible, so in reality, Cathy would be contributing even less than $16 a pay day.

Can you afford not to contribute the small percentage required under your pension plan? If Cathy joins the plan now and continues to work for 10 years (as an example), the total amount of retirement income from this plan will be $491.07 per month, based on today's rates, provided she leaves her money in the pension fund should she terminate her employment.

3. Cathy is assuming that John is probably looking after their future financial security.

This is a valid assumption. You expect your husband to provide for your family and yourself; however, should the burden be entirely on his shoulders? John is working hard trying to build up his small firm. Has he had a chance to

consider retirement security for 30 years down the road?

Because John is self-employed, he is responsible for contributing 3.6% of his earnings to the Canada Pension Plan. His entitlement at retirement will be the Canada Pension Plan and the Old Age Security Benefit payable to every Canadian whether they have participated in the workforce or not. Cathy will receive the Old Age Security Benefit as well.

Wouldn't that extra $491.07 payable from Cathy's company pension plan considerably improve their financial status at retirement? The same household expenses exist when you're 65 years old. Hopefully, your home will be paid for by then, but what if it's not?

In any case, you still have to pay utilities and you still have to have food on the table.

Statistics Canada states that in order to live adequately at retirement, you will need at least 62% of your regular income made just prior to retirement. Consider this: Even with your children grown and on their own, could you suddenly cut your income almost in half and live in comfort?

To obtain information concerning the Canada Pension Plan, Old Age Security and Supplements available, see Section "M" of this booklet.

The time to prepare for retirement is while you are younger, so that when you retire, there is nothing left to chance.

Case #2 — Married Woman — Homemaker

Janet

Janet breathed a sigh of relief as the last of the kids bounded out the back door for school. She picked up last night's paper, poured a fresh cup of coffee and sat down at the kitchen table.

The headlines reporting trouble spots both national and international seemed very far removed from her daily life. She felt a slight twinge of self-satisfaction as she contentedly reviewed her own peaceful existence — the twins finally off to school, Mary-Ellen in junior high and her husband's upcoming promotion to sales manager after 12 years with the company. They had pulled through some rough times together since she quit her part-time job at the corner drugstore before the twins were born, but now it all seemed to be paying off. "How nice it is", she thought, "that I can have these few quiet moments to myself, rather than having to rush out the door to work."

As she glanced through the paper, she subconsiously analyzed each supermarket advertisement, mentally checking off the neighbourhood bargains, reminding herself that she must make a list for tomorrow. A small article headed "Women and Poverty" caught her attention, slowing down her automatic page-flipping habit.

"It has become increasingly apparent that old age, particularly for women living alone, usually means living in poverty." the article stated. A quote from "Women and Pensions" by Kevin Collins for the Canadian Council of Social Development, caught her eye: "households headed by women over 65 are increasing and poverty among the female elderly is shocking."

After finishing the article she tried to concentrate on the rest of the paper, but decided instead she'd better get at the housework. Feeling a little depressed, she welcomed the interruption of the phone ringing.

"Hi Janet, forgot to remind you this morning about the party tonight, hope you remembered to pick up my suit!" "What party, Hon? Yes, I got your suit yesterday." "You know — Marion is retiring today, her last day after 23 years." "Oh sure, how silly of me! It's hard to think of retirement parties when you're only 42!" "Well, thanks about the suit, see you for supper." "Bye for now dear, have a good day!"

Back at the housework, Janet found her mind wondering to Marion, although she didn't know her well, they'd often chatted at Bill's office parties over the last few years. She knew she had been widowed and left to raise her family at 42. Stunned, she realized that was just the age she had now reached! "Whatever would I do if that happened to me?", she thought.

Later that evening, Bill noticed she was rather pre-occupied amidst the normal dinner table chatter. "What's on your mind, Jan?" "Oh, nothing, we'll talk later." The party had the usual faces and the usual chatter. Joe, the president, called everyone to attention as they presented Marion with a matched set of luggage and a plane ticket for a week in Las Vegas. Marion graciously thanked everyone, but Janet thought to herself how tired she looked. "What are Marion's

plans, Bill?" Janet asked casually on the way home. "Plans for what?" "You know, how is she going to manage?" "Oh, she'll be fine, she has her CPP, OAS and a small pension from the company."

Glancing over at Janet, Bill continued, "Why the concern honey?" "Oh, the whole thing just got me thinking about what would happen to the kids and myself if anything happens to you." "Hey! Nothing's going to happen to me! Besides, I've taken care of everything." Bill stated, giving Janet a reassuring smile. "Now how about getting a cup of coffee somewhere?"

Janet smiled back at him, feeling herself relax. "There's an all-night diner on the corner, we can stop there."

Comments

Like many married women, Janet does not know what her actual financial status is, should anything happen to her husband. Janet has made a number of assumptions that allow her to remain unconcerned about her financial status.

1. She assumes that her husband will have adequate income when he retires.

Many companies do not even have a pension plan. Bill's company does have a pension plan, but that does not necessarily mean that Bill is a member of the plan. Membership in many pension plans is voluntary and Bill may not have joined the plan. Assuming that Bill is a member of the plan, the pension provided may be a small one. Bill will of course be entitled to Old Age Security and the Canada Pension Plan, but would this be enough for Janet and Bill to live on?

2. Her husband will outlive her.

Statistically, this is not a valid assumption. In Canada, four out of five husbands die before their wives and the average married woman can expect to live eight years in widowhood. The odds are, therefore, that Bill will die before Janet.

3. If her husband dies after retirement, she will have an adequate benefit from his pension plan.

Many women are not aware that often a husband's pension ceases upon his death, or only continues for a set number of months. Janet can expect to live another 12 years once she attains age 65. Would she receive Bill's pension for that whole period?

4. If her husband dies before retirement, she will receive a pension.

A very small percentage of pension plans provide a pension for the spouse of a deceased member and when they do, it is usually for a reduced amount of pension, (i.e. 50%). Most plans simply provide for a refund of the member's contributions.

5. She will be entitled to adequate government benefits.

Because she has not contributed to the Canada Pension Plan, she will not be entitled to any benefits. Upon attaining age 65, she will be entitled to Old Age Security. If Bill dies before reaching retirement, the only benefit Janet will be entitled to, until she attains age 65, is a Survivors Benefit from the Canada Pension Plan. If this is Janet's only income, she will, for all intents and purposes, be destitute.

6. Her marriage will not end in divorce.

Statistically, one out of four marriages end in divorce. The odds are in Janet's favour, but what would happen if Janet's marriage did end in divorce?

At this stage of her life, Janet's first priority is her family and her home. She is comfortable and at peace with her lifestyle and she doesn't want anything to intrude on her happiness. It is easier to go along day-by-day than to worry about things that might never happen. Unfortunately those things "that might never happen" quite often do occur.

Janet really does not know if she is financially protected. At best, life will continue on as it has, with Bill reaching retirement age and receiving a comfortable pension and then outliving Janet. At worst, Bill will die at a young age with no company pension payable to Janet, leaving her with only the Survivors Benefit from the Canada Pension Plan.

Reality probably lies somewhere between the two extremes, but it is up to Janet to determine exactly what that reality is. How much income will your husband receive at retirement? Many companies offer financial counselling for their employees and spouses. They will explain what kind of benefit your husband and yourself will be entitled to from the company pension plan. If your husband's company does not offer this service, you can contact the Pension Commission of Manitoba which offers retirement counselling free-of-charge.

To obtain information concerning the Canada Pension Plan, Old Age Security and Supplements available, you can check Section "M" of this booklet. For an explanation of the different types of pension payments available under most private plans, you can check Section "K" of this booklet.

Your husband's retirement will affect you as well. Do you know what your financial status is?

Case #3 — Single Non-Working Woman

Ruth

It had been a hectic morning at the Red Cross, but Mary noticed that Ruth seemed pre-occupied today. They had become close friends since they began work there six years ago and they looked forward to running into each other on Wednesdays. Mary sensed that Ruth was not her usual outgoing self with the patients today, so when the opportunity arose, she suggested they slip down to the cafeteria.

"I can't seem to shake it, Mary," said Ruth over a cup of coffee, "I'm so worried about my future lately that I'm just a nervous wreck! Lately I've been feeling very insecure. Although I'm just 48, this depression is really draining my energy. You know, since my divorce five years ago, I've managed okay. I'm still in the same apartment, which is fortunately close to downtown. Jim sends me enough to manage and my lawyer thought it was an adequate settlement at the time, but I guess we didn't consider inflation."

"My rent is going up in September, my food bills are higher, and I don't know what I will do. I had some savings after my Mom died and left me $5,000, but I seem to be digging into that all the time. I think I'll have to look for a job, but I feel so useless I don't even know how to go about finding one. Besides, who would want to hire me at my age? I'm just so terrified about the future and afraid I'll end up like so many poor old women with no one to take care of me and living on dog food like some of the old age pensioners I've read about!"

"Now Ruth!" exclaimed Mary "no one lives on dog food, at least no one I know of. Stop and think for a minute. Aren't you entitled to some of Jim's Canada Pension Plan money, even though you're divorced? That would make a difference in your income." "Oh, I don't know Mary," said Ruth, my lawyer didn't mention anything to me about that when we got divorced." "Well," said Ruth, "that's something to look into. You're not that old Ruth, stop putting yourself down. You've done volunteer work here for six years now and I've watched how you handle the people. You do a great job and you've got a lot of skills you could put to use. Have you thought of calling someone in an agency to help you find a job?"

"A friend of mine went to the Women's Bureau for a counselling appointment and it did her a world of good. She said that the Women's Bureau assist women our age in re-entering the workforce and maybe they could give you some good suggestions where to begin."

"You're probably right, Mary," said Ruth, "it's time I stopped feeling sorry for myself and started looking at some positive things for a change. I'm glad I talked to you today. I guess I'd better face the fact that I'm the only one who will take care of me when I'm old and gray. You know Mary, if I get a job now, I'll still be able to get myself some pension from that." "That's right," said Mary, "you'll also be able to get some Canada Pension for yourself and maybe some of Jim's too!"

That's great," said Ruth, "I'm going to start by calling that agency tomorrow!"

Comments

Ruth has been forced into taking a realistic look at her present and future financial security out of sheer necessity. She has made a number of assumptions throughout her life which may or may not be valid. She assumed that:

1. Because a woman marries, her husband will look after her financial security for the rest of her life.

Is this a valid assumption? What happens if a divorce does occur? It is especially hard on a woman of Ruth's age. Would you be able to cope financially? Ruth is in a position of having to look for a job to manage her expenses now. Even if she does become employed, that income will cease when she is forced to retire either by company policy or poor health in later years.

2. She also assumes that her alimony* payments will continue indefinitely.

It could well be that her ex-husband may die unexpectantly and that the alimony payments will cease abruptly. At present she is solely supported by those alimony payments, completely dependent upon her husband's good health for many years to come. It is a statistically proven fact that women outlive men. Are you gambling against these odds?

3. She assumes that she may be entitled to some of her husband's Canada Pension Plan benefits due to divorce.

This is a valid assumption, but does it apply? Many women are entitled to share in their husband's Canada Pension Plan benefits if a divorce occurs. Are you counting on this income? If you are, there are a few facts you should consider. This benefit is *not automatic*. You must apply to the Canada Pension Plan office and supply them with supporting details, such as proof of divorce, your ex-husband's present address, etc. You must have been married 36 consecutive months and you must apply for this benefit within a three-year period following the date of your divorce.

4. Ruth also assumes that when she becomes employed her company will have a pension plan available for her to join.

In Manitoba only about 25% of the workforce is covered by a company pension plan. This percentage may not paint a true picture of the situation, however, because most pension plans are of a voluntary nature. You have the option of joining or not. Maybe the company will have a pension plan, but will you be eligible to join?

It is important to determine what the eligibility of the plan is. Is there a maximum age provision in the plan whereby you cannot join if you are over a certain age? Is there a provision stating a minimum service requirement? (i.e.) you must work for the company for five years before becoming eligible. Are females even allowed to join the pension plan? While only very few plans exclude female membership, yours might be one of them.

5. What hasn't Ruth considered?

One important factor Ruth has not considered are the government pension programs. Are you aware of what you may become entitled to when you reach retirement age? Did you know that all men and women are entitled to an Old Age Security Benefit whether they have ever been employed or not? This benefit, however, is not automatically sent to you. You must apply for an Old Age Security benefit at least six months before you reach age 65. Did you also know that you may be entitled to additional benefits such as a Guaranteed Income Supplement and the Manitoba Supplement For the Aged? These two benefits are based on need and must also be applied for. Section "M" of this booklet outlines who to contact to obtain this information and where you should apply.

Right now Ruth's main priority is having enough income to support herself adequately. Her fears about ending up like so many poor, old women are well founded. The Fact Book on Poverty states "that to be old and female is the best combination to ensure being poor in Canada." To be old and alone however, is an even better one. The hardest hit are women between the ages of 50-65 because most retirement benefits are not payable until age 65. The unfortunate alternative available to a woman alone and unemployed in this age group is social assistance or welfare.

Ruth is still in a position where she can make some provision for her retirement years. If she commences working within the next year, she will be able to accumulate 17 years of Canada Pension Plan benefits for herself. Her priority however, should be, looking for employment with an employer who offers a pension plan for which she is eligible to join. She can then accumulate benefits from the company plan and the Canada Pension Plan, as well as being entitled to her Old Age Security Benefit and any other supplement which may apply.

Why wait until you are forced into a situation of having so little time to accomplish so much? If you plan ahead, as Ruth should have, you will not end up living in poverty at retirement.

*For the sake of clarity, the word "alimony" has been used. Under Manitoba's Family Law the term used is "maintenance".

Case #4 — Single Working Woman: Vicki

At 35-years-old, Vicki, by all standards, was classified as a "success". For the past eight years she was employed by a large company and had recently been promoted to the position of finance manager. As she moved into her new office on the executive floor of the company building, she couldn't help but feel a lot of satisfaction and pride that all her hard work through the past years had paid off so well. Vicki was well trained in financial matters and felt confident about her new position and the people she was required to deal with.

It had been difficult working as a consultant in the finance department during the day and going to school at night, taking the additional courses she needed to complete her degree, but it had been worth it. When she obtained her degree two years ago, she landed a job as an assistant to the finance manager with a substantial raise in pay. This enabled her to move into a spacious apartment overlooking the river and buy herself the car of her dreams. With the demands of her job, she found she needed a substantial wardrobe because she was often out of the office meeting with influential clients. She had always been aware that because she was single, she had no one to rely on but herself concerning money matters and that was just fine with her. She had always been very prudent and had budgeted her income accordingly. In fact, her financial training had enabled her to make certain investments which were quite secure for the time being.

An executive meeting was called for one o'clock that afternoon to officially announce her appointment and to introduce her to some of the other managers whom she had not yet met.

After her initial introduction and welcome at the meeting, one of the topics on the agenda was the Executive Employees' Pension Plan. "As you are all aware," the president said, "we are currently discussing some amendments to our pension plan and I would like some input from all of you regarding the proposed changes." As the discussion progressed, Vicki felt more and more uncomfortable. "How could I," she thought to herself, "be so meticulous in planning my personal finances and not have bothered with the implications of my pension at retirement?" From the discussion going on around her, she knew that the pension plan was a good one.

When the meeting adjourned, Vicki made a hasty retreat to her own office hoping that the other managers had not noticed that she had contributed very little to the discussion about their company pension plan. Sitting at her desk, she began thinking about her present lifestyle. "What will happen to me when I retire?", she wondered. "I could never be satisfied puttering around the house with no money to travel and enjoy myself. I don't even know what I'm entitled to at 65 years old!"

She searched through her desk drawer for that booklet explaining the pension plan that the personnel department had sent to her when she received her promotion. She had been too busy to read it at the time and then had forgotten about it altogether. "The next time that discussion comes up at the executive meeting", she resolved, "I'm going to know exactly what I'll be entitled to and what changes will benefit all of us the most!"

Comments

How many of you have fallen into this line of thinking? Just because you are a member of a company pension plan, does not mean that you shouldn't be aware of what benefits this plan will provide you at retirement. Do you know, for example what your employer is required to contribute to the plan on your behalf?

After considering what kind of lifestyle she wants at retirement Vicki has to seriously take a good look at various factors which may affect her.

1. What should she look for in her pension plan?

Private pension plans vary from employer to employer, but all contain certain standard provisions. Is your pension plan contributed to by your employer only, or by both employer and yourself? Is membership in your plan voluntary or compulsory? A compulsory membership clause means that you have automatically been enrolled in the plan after you have met the eligibility requirements, i.e. have completed three months of service or have attained a certain age. A voluntary plan may have certain eligibility requirements as well, but you must make an application to join the plan. Could it be that you thought you were a member of your plan, when in fact you were not? Check into this now, before more time has been lost for which you could have built up pension credits.

What kind of plan are you a member of? Do you know how your retirement benefit will be calculated? The most common plan types are outlined in Section "J" of this booklet. Why don't you familiarize yourself with the type of plan you are a member of? Does your plan permit early and/or late retirement? What kind of retirement benefit will you have if you select early retirement? Did you know that pension is usually reduced if you elect to take early retirement? You are entitled to Old Age Security and a Canada Pension Plan benefit at age 65. How will these benefits figure into your total retirement income package? Section "M" of this booklet outlines who you should contact for information concerning government programs.

Consider what type of lifestyle you want at retirement.

2. What could you do to improve your retirement income?

Does your company pension plan allow you to make additional voluntary contributions? Did you know that the Department of Revenue Canada has certain limits on voluntary contributions? The current limitation is that your total pension contribution in any given year cannot exceed $3,500. This means that if your total company pension contribution for a year totalled $1,500 you could then contribute an additional amount up to $2,000 if your plan contains this provision.

What do you know about Registered Retirement Savings Plans? (RRSP) In addition to providing an extra tax exemption for you, it will also provide you with additional retirement income. For more details about RRSP's see Section "L" of this booklet.

3. In our society many people change jobs several times throughout their working career. What happens to your pension if you terminate your employment?

Ideally your pension benefits should follow along with you from job to job; however, this is not always the case. What does your plan say about termination of employment? Does the plan provide a cash refund of your contributions *and* the accumulated employer contributions?

Did you know that Manitoba has specific legislation concerning pension plans whereby if you are over age 45 and have completed 10 years of service with your employer, the contributions made to the plan are considered "locked-in"? This means that the total amount of contributions made, must be used to provide you with a pension at normal retirement age.

Did you also know that Manitoba's legislation provides for a minimum of 10-year vesting? This means that after 10 years of service with your employer, should you terminate, you *must* be entitled to receive the employer's contributions as well as your own. This only applies, however, if you do not take a cash refund. If you choose a cash refund you may forfeit your right to the employer's money.

Isn't it about time you learned more about your pension plan?

Case #5 — Single Self-Employed Woman

Sharon

"Well Anne," said Sharon, "do you know that today is the fifth anniversary for Flair Photography Inc.?" Anne looked up from her paperwork and said with a grin, "Would I forget such an important date?" Sharon flipped open the appointment book and said, "It's almost closing time and I've finished with the last photography sitting for the day — let's go out and celebrate!" "OK", said Anne, "just give me a few minutes to finish up the billings for the week."

Sharon had opened Flair Photography in September, five years earlier and hired Anne in December to handle the appointments and paperwork. It had taken a long while to get the business on good footing and it looked like it might be the best year yet. There had been some pretty rough times previously where it was touch-and-go. "Thank heavens," thought Sharon, "that Anne had stood by me and helped me pull through." There were confirmed sittings from now to Christmas and the money made during this time would see them through the slower periods.

Sharon was 30 years old and had worked for a photography firm for a number of years learning "the ins and outs" of the business. She had taken a number of free lance jobs during these years and decided she could make a go of operating her own company. It was starting to pay off.

Later, over a celebration drink, they both congratulated themselves. Optimistically, Sharon said "It looks like we'll be in business for some time yet, Anne, and it might be the time to start thinking of hiring someone to help you out. Maybe just part time for now."

"That sounds good to me," said Anne, "I could use the help! By the way, Sharon, Rick Foster was in again today to discuss setting up a pension plan. I didn't want to interrupt your sitting with that little two year old. I know how difficult it is to hold their attention for too long! He made an appointment to see you on Monday morning, first thing."

"You know, Anne," said Sharon, "I think the time has come to seriously consider some sort of pension plan, although I don't know too much about it. I was in the pension plan when I worked for Yates Photography. When I left to start up Flair, they gave me a cash refund which I promptly sank into the working capital I needed. It was great, because I really needed that money at the time! I'm glad you made that appointment with Rick. I'd be interested to see what he can come up with."

COMMENTS

Many women are in Sharon's position of owning and operating their own business. Sharon, as an employer, will be able to fulfill an obligation to long service employees by establishing a company pension plan. She is not only concerned with the present benefits her employees receive, but also what will happen to these employees at retirement.

1. What should Sharon consider in establishing a company pension plan?

As an employer, your main consideration will be the cost to you. Who will take care of the paperwork involved in administering the plan? What kind of plan should be implemented? These questions should be examined in great detail by you and the insurance or trust company representative. Did you know, for example, that contributions made to the pension plan are tax deductible for both the employees as well as the company? What should the contributions to the plan be? Your insurance or trust company representative will evaluate your financial status and advise you as to what rate of contributions should be made to accommodate both yourself and your employees.

Your plan may be administered by your company or by the insurance or trust company for a nominal charge per member. If the insurance or trust company administer the plan, the paperwork is virtually eliminated for the employer. All that would be required of the employer is to submit the monthly premiums to the insurance or trust company and advise them of any new or terminating employees.

2. What kind of Regulations are there affecting pension plans?

All pension plans must be registered with the Department of National Revenue Canada to obtain tax exemptions. Manitoba also has legislation entitled the Pension Benefits Act of Manitoba. All pension plans throughout Manitoba must be registered as well with the Pension Commission of Manitoba. Because the Commission is in constant contact with insurance and trust companies, most provisions required under the Pension Benefits Act are now standard in contracts issued by insurance and trust companies.

Are you aware that the Pension Commission of Manitoba provides counselling for employers as well as employees about how the pension legislation affects both groups? A benefits analyst is available for you or any individual of your company to assist you in a wide variety of services.

3. What would happen if, for some reason, I, as an employer, had to discontinue my company plan?

There are always unforseen circumstances which may affect a long-term contract such as a pension plan. Today's economy is such that inflation is affecting all of us. Federal legislation does not allow an employer to suspend a plan for any length of time and start it up again when finances permit. A plan must be permanently discontinued. In the event you may find it necessary to discontinue the company plan, all of your employees must receive their full benefits. Many plans are written in such a way that if the plan must be discontinued, any surplus money in the fund is proportionately credited to the employees, instead of being refunded to the employer. It is up to you to decide on a provision of this type when discussing the plan details with the insurance or trust company representative.

It is important to consider that all pension plans can be improved at a later

date as the company grows. There is no such thing as a bad pension plan because any plan that provides pension benefits over and above those offered by government programs ensures that retirement years will provide some financial security for your employees. Pensions are fast becoming part of the total benefit package for all employees. As well as providing additional income at retirement, this type of employee benefit serves to boost employee morale by demonstrating that the employer is concerned with long term as well as short term benefits. Shouldn't you as an employer, be considering this?

CONCLUSION

Providing an adequate income for themselves at retirement very often is not a primary concern for today's woman. Something else always seems more pressing or more interesting. If we are married, we have been conditioned by society to believe that our husbands will provide for us or failing that, that the government will provide. Being human, we of course tend to procrastinate. We say to ourselves that we'll worry about it tomorrow. Unfortunately for too many of us, that tomorrow comes too soon.

The question you must ask yourself is: "Who is responsible for my future?" Your husband? Many husbands are not aware of what will happen to their wives if anything happens to them. Like most of us, they do not believe that they are actually mortal. The government? Society generally accepts that the government pensions are inadequate. Added to this, is the fact that the age distribution of population is changing as more and more people reach 65. This will mean an increased tax burden. Will the next generation be willing to shoulder this burden?

The only one responsible for your future is yourself. Once you have reached this awareness, you can begin your planning.

Planning for retirement should be part of your budget, just like planning your vacation is part of your budget. If you need assistance for this financial planning, there are plenty of people to talk to. If you or your husband belong to a pension plan, you could talk to the plan's administrator or to the agent of the insurance or trust company that the plan is invested with.

If you do not belong to a pension plan, there are other methods of saving for retirement. There is, of course, a Registered Retirement Savings Plan. Any bank, credit union, insurance company or trust company would be more than willing to talk to you about such a plan. Even a small amount contributed monthly to a RRSP will, over a span of 25 years, accumulate to a significant amount.

A Registered Retirement Saving Plan might be especially good if you are married and do not work outside the home. Your husband may make contributions in your name for you. Again, any financial institution would be willing to explain how this works.

If you or your husband are covered by a private pension plan, one thing to remember is that pension plans are not set up to provide a death benefit. They are set up to provide an income at retirement; therefore if you are dependent on your spouse's income to maintain your standard of living, you should consider life insurance. Do not rely on your husband's pension plan to provide for you upon his death.

We hope that this booklet has been of use to you with regard to planning your retirement. If it has made you more aware of the importance of planning for your retirement, then it has accomplished its goal.

FACTS THAT YOU SHOULD KNOW

- A conservative estimate of living costs for one person for one year is $4,000.
- In 1975, approximately 60% of unattached females age 65 to 69 and 80% aged 70 and over had incomes below $4,000.
- 94 out of 100 women marry and only 26 can expect to live with their husbands until their death. 53 will be widows, 15 will separate or divorce.
- 4 out of 5 husbands die before their wives.
- On average, once you attain age 65, you can expect to live another 12 years, 8 of them in widowhood.
- Less than 1 widow in 4 can expect to receive regular pension benefits from her deceased husband's employer. In most cases, those who do receive a benefit only receive 50% of the husband's entitlement.
- Canada Pension Plan benefits are based on income. If your income is below a certain level, your benefit will be reduced.
- If you have never contributed to the Canada Pension Plan, you will not be eligible for any CPP benefits of your own.
- 60 out of 100 married women are in the labour force.
- Approximately 21% of women in the workforce in Manitoba are covered by a private pension plan.

Controversial Issues Concerning Women and Pensions

At the present time there are many controversial issues arising out of the study of women and pensions. The following is a brief outline of only some of these issues.

— The payment of different benefits under money purchase plans for males and females.

Under a money purchase plan, at retirement the amount that has accumulated for the employee is applied to purchase an annuity. If $10,000 was planned to purchase an annuity for a male aged 65 and a female aged 65, the amount of annuity payments would be less for a female. This is because the female has a longer life expectancy than the male, therefore, she will receive more annuity payments.

The controversy arises over which is more important under a pension plan — that the employer make equal contributions for males and females, or that the pension plan provide equal pension payments for males and females.

— A spouse's right to her husband's company pension plan upon break up of the marriage.

Traditionally a woman has only had access to her husband's property upon his death. However, recently there has been great concern as to what should happen to property in the event of a marriage break up. More controversial is the idea that each spouse should have an equal and automatic rignt to any property acquired during the marriage.

Manitoba's Marital Property Act includes pension assets as family property and the pension would therefore be subject to the Act.

— Because of "breaks in service", women receive lower CPP benefits and lower pension benefits.

Because many women must interrupt their service in the workforce due to child-bearing, they accrue less pension in the long run.

Manitoba has provisions that provide for a period of maternity leave during which the employee's service is not considered interrupted. In Manitoba, a female employee who has been in the service of an employer for 12 months is entitled to a maternity leave consisting of a period not exceeding 17 weeks if delivery occurs on or before the date of the delivery estimated by her doctor or a period of 17 weeks plus an additional period equal to the period between the date of delivery estimated by her doctor and her actual date of delivery. For further information, you may contact Employment Standards (A Branch of the Dept. of Labour & Manpower) at 944-3352.

At present, a housewife does not earn any CPP benefits for her years spent at home and those years out of the workforce may reduce her CPP benefit.

— A wife's right to information about her husband's pension plan.

Many wives have no idea as to what their husband's pension benefits are and for one reason or another, cannot obtain this information from their husband. There is controversy over whether the employer should be required to provide this information to his employee's spouse. On the one hand, it is felt that the pension information is subject to an individual's right to confidentiality. On the other hand, it can be argued that the pension is a family asset and the information should therefore, be available to both spouses.

In Manitoba, there is legislation providing access to pension information for an employee and his authorized agent. Upon being designated as his agent (in writing) by her husband, a woman may obtain any information she requires from the Pension Commission of Manitoba.

TYPES OF PENSION PLANS

While all pension plans are designed to provide individuals with an income after retirement, there are a number of different types of plans. Each type of plan has a different method of calculating how much pension will be received. The most common types of plans are:

Money Purchase Plan

A Money Purchase Plan is one where the employee contributes, through payroll deductions, a certain amount of money each payday. The employer contributes a certain amount of money each payday as well. These contributions are invested in a pension fund and earn interest until the employee retires. When the employee retires, all the contributions plus the interest are used to pay her a monthly pension for at least the rest of her life.

Flat Benefit Plan

Under this type of plan, the pension is usually stated as a fixed dollar amount which is not related to the employee's earnings, but is dependent on the number of years of service the employee has completed with the employer. For instance, the pension benefit may be $6 per month for each year of completed service. In this case, an employee who retired after having completed 20 years of service would be entitled to a pension of $120 per month. Generally, you are not required to contribute to this type of plan. The employer pays all the costs of providing the pension.

Career Average Plan

With this type of plan, the employee receives a pension based on her actual earnings over her working career. This pension is equal to a percentage of her earnings during each year. An example of the pension benefit would be 2% of the employee's earnings for each year of service. The amount of annual pension at retirement would be 2% of the employee's average earnings multiplied by her years of service. If the employee's average earnings over the last 20 years was $12,000 per year, her annual pension at retirement would be 2% X $12,000 = $240 (X 20 years of service) = $4,800 per year or $400 per month.

Final Average Plan

This type of plan is based on the employee's final years of earnings. The percentage of the employee's earnings on which the pension is based is not determined by the average of her annual earnings over her entire period of service, but is equal to a percentage. For example, 2% of the employee's average earnings during a specified period of years before retirement, (such as 2% of the average of earnings during the 5 years preceding retirement). If the employee's average earnings during her final 5 years were $15,000 and she had completed 20 years of service, her annual pension would be 2% X $15,000 = $300 X 20 (years of service) = $6,000 or $500 per month.

Profit Sharing Plan

The benefits under this plan are similar to those provided under a Money Purchase Plan except the employer contributions are based on a percentage of the employer's annual profits. Employees may or may not be required to contribute to this plan. The employer contributions are credited proportionately to each plan member's account. In years of no profit, the employer is still required to contribute 1% of the employee's earnings.

TYPES OF PENSION PAYMENTS

Many people are not aware that there are different ways of receiving a pension. Every pension plan provides a "normal form of pension" (which could be any one of the types listed below), but most plans offer employees a choice of the method of pension payments which would best suit their needs at retirement.

Following is an outline of the various methods of pension payments available to retiring employees. When the employee retires, the total dollar value of his pension is calculated. The monthly pension amount under each type will vary somewhat because the cost involved in providing the different types varies, but the total value of the pension earned always remains the same. What type of pension payment would be best for your situation?

Life Pension (Life Only)

This type of pension would provide the pensioner with a monthly payment for his/her lifetime but would stop completely upon the pensioner's death.

Life Pension with a Guaranteed Period

This type of pension would provide a pensioner with a monthly payment for his/her lifetime similar to the life only described above, but it would contain a guarantee that if the pensioner died within a certain period after retirement, the beneficiary would continue to receive payments for the remainder of a certain period of time. The choice of guarantee periods is usually 5, 10, 15 years.

Joint and Survivorship

This type of pension would provide the pensioner with a monthly payment for his/her lifetime, and after his/her death, a monthly payment for the pensioner's spouse for the rest of his/her lifetime. There are two principle alternatives:

(i) A monthly pension payable to the pensioner for his/her lifetime with the same amount payable to the pensioner's spouse for his/her lifetime after the pensioner's death.

(ii) A monthly pension payable to the pensioner for his/her lifetime with a reduced amount (⅔ or ½ of the pension) payable to the pensioner's spouse for his/her lifetime after the pensioner's death.

The following is an example of how the different types of pension payment affect the amount of pension payable. If the employee retired at age 65 and if he had earned a pension of $500 per month, and if such employee's wife was age 60 when he retired, the following approximate monthly payments would apply to the different payment options.

Life Pension (no guarantee)	**$500 per month**
Life Pension (5 year guarantee)	**$487 per month**
Life Pension (10 year guarantee)	**$455 per month**
Life Pension (15 year guarantee)	**$415 per month**

Joint and Survivor (full amount payable to beneficiary) — $367 per month with same amount payable to pensioner's wife upon his death.

Joint and Survivor (⅔ amount payable to beneficiary) — $403.50 payable for the pensioner's life. $269 payable to his wife upon his death.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP)

An RRSP is an individual plan which you may establish whether or not you are a member of a company pension plan. If you are a member of a pension plan, you may contribute to an RRSP an amount in addition to your regular pension plan contributions. The total amount of contributions to both your regular plan and your RRSP cannot exceed $3,500 per year, or 20% of your earned income, whichever is less. If you are not a member of a company pension plan, you may contribute to an RRSP up to $5,500 per year, or 20% of your earned income, whichever is less. Contributions to an RRSP are tax deductible. RRSP's are established through banks, trust companies, insurance companies, or credit unions.

It is possible for your spouse to make contributions to an RRSP on your behalf. If one spouse is working and the other is not, or the one spouse is earning considerably more than the other, for tax purposes, it is in many cases advantageous for the higher income earner to put contributions into a Spousal Registered Retirement Savings Plan. The owner of the plan pays the tax when the RRSP is deregistered or taken out as a life annuity. The main advantage is that the income tax will be much less on the benefits paid to the lower earner than if paid to the higher earner.

WHERE TO OBTAIN INFORMATION

Under the Pension Benefits Act of Manitoba, an employee or his/her agent authorized in writing must have access to certain documents related to his/her pension plan. These documents are available from the pension plan administrator or at the office of the Pension Commission of Manitoba at the following address:

The Pension Commission of Manitoba

Department of Labour and Employment Services
1004-401 York Avenue
Winnipeg, Manitoba
R3C 0V8
Phone Number: 944-2740

Every employee or self-employed person who contributes to the Canada Pension Plan (CPP) may, once a year request to be informed of the amount of pensionable earnings shown to his/her credit. The public may, at any time during the year, telephone the Canada Pension Plan office concerning information relating to disability benefits, death benefits and the split of benefits upon marriage breakdown under the Canada Pension Plan. Many brochures on specific subjects are available by contacting:

Health and Welfare Canada (Canada Pension Plan)

Bestlands Building
191 Pioneer Avenue
Winnipeg, Manitoba
R3C 3N7
Phone Number: 949-3640

For information concerning the **Old Age Security Benefit** and the **Guaranteed Income Supplement**, contact the above office as well.

For information concerning the Manitoba Supplement for Pensioners contact:

The Manitoba Supplement for Pensioners

Department of Community Services
301-267 Edmonton Street
Winnipeg, Manitoba
R3C 1S3
Phone Number: 944-2686 (outside Winnipeg call collect)

The Women's Bureau is a branch of the Manitoba Department of Labour and Manpower. Counsellors are available for women who want to re-enter the workforce or change their present employment. For more information contact:

The Women's Bureau

Department of Labour and Employment Services
241 Vaughan Street
Winnipeg, Manitoba
R3C 1T6
Phone Number: 944-3476

A Provincial Advisory Council on the Status of Women has been formed to advise the Minister of Labour and Manpower and Cabinet on issues concerning women. Major issues at this time are employment problems facing women and new policies to improve opportunities for women in the work force. For more information contact:

Consultant on the Status of Women

Department of Labour and Employment Services
693 Taylor Avenue
Winnipeg, Manitoba
R3M 3T9
Phone Number: 284-8220

For information concerning labour laws and your rights as an employee contact:

The Employment Standards Branch

Department of Labour and Employment Services
609-401 York Avenue
Winnipeg, Manitoba
R3C 0V8
Phone Number: 944-3352